



January 3, 2008

VIA FACSIMILE - 956-664-1005
VIA OVERNIGHT MAIL

Mr. David N. Calvillo
Calvillo Law Firm
711 Nolana Loop
Suite 105
McAllen, TX 78504

Dear Mr. Calvillo:

American Service Insurance Company (ASI) understands that you represent NAFTA/UMGA.

Please advise your client that any business issued by NAFTA/UMGA subsequent to 12/31/07 is in direct violation of our attached termination letter dated November 15, 2007 and the provisions of the Program Manager Agreement (PMA). ASI will hold NAFTA/UMGA and Ramon Villarreal responsible for any and all losses and expenses incurred as a result of any new or renewal business issued after 12/31/2007.

Further, please be advised that ASI will take all necessary action in connection with any other breach or default of the PMA, such breaches or defaults being inclusive of but not limited to the following:

- Failure to maintain collateral level of \$250,000 securing the manager's personal guarantee as required by the PMA.
- Over thirty days past due receivable of \$15,860.33 on Non Resident Program for October bordereau, this was due December 1, 2007.
- Past due receivable for November bordereau of \$135,549.34 on Non Resident Program, this was due January 1, 2008.

ASI reserves all of its rights in connection with the foregoing and nothing set forth herein shall constitute a waiver of those rights.

Sincerely,

Thomas R. Ossmann
President & CEO

TRO/kam

cc: Ramon Villarreal
President
NAFTA General Agency, Inc.
594 Jose Marti Blvd.
Brownsville, TX 78526





American Service Insurance
150 Northwest Point
Elk Grove Village, IL 60007
www.ASILINK.com

November 15, 2007

Mr. Ramon Villarreal
President
NAFTA General Agency, Inc.
594 Jose Marti Blvd.
Brownsville, TX 78526

RE: Modified Termination Agreement

Dear Ramon:

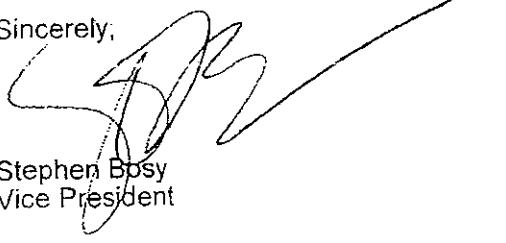
On November 7, 2007 we issued a letter terminating your Non Resident Personal and Commercial Auto program effective November 12, 2007. The following modified agreement was reached between American Service Insurance Company (ASI) and NAFTA General Agency and Underwriters MGA (NAFTA/UMGA) on November 13, 2007 which revises the terms of the termination as follows:

-NAFTA/UMGA will be allowed to continue to write business until 12/31/07. Under no circumstances will new or renewal business be written after that date. For business written with effective dates prior to 11/15/07, NAFTA/UMGA will be allowed to keep commissions and fees per our Program Manager Agreement. Any business written with an effective date on or after 11/15/07 shall comply with the following provisions jointly agreed to by both ASI and NAFTA/UMGA:

1. One hundred (100%) of all premiums and fees generated by policies written by NAFTA/UMGA shall be sent to ASI.
2. New rates given to Danny Hernandez which increase rates for Personal term and certificates +50% and Commercial Certs +10% will be put into effect 11/15/07 and shall continue indefinitely.
3. A confirmation from Falcon Bank that our letter of credit (LOC) of \$250,000 has been renewed and is in full effect or a replacement LOC for identical terms and amounts described in the Falcon Bank LOC is presented to us before 11/30/07.

All three provisions above must be met by the dates specified to continue this modified termination agreement. Should any of these provisions or dates not be met ASI will consider our Program Manager Agreement to be immediately terminated effective 11/30/2007. Should you have any questions regarding the above terms please call me.

Sincerely,


Stephen Bpsy
Vice President